Distr.
GENERAL

IDB.23/2
20 September 2000

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-third session
Vienna, 14-16 November 2000
Item 3 of the provisional agenda

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS SIXTEENTH SESSION

(4-5 September 2000)

CONTENTS

		Paragraphs	*Page*
Introduction		1 – 9	2
Chapter			
I.	ORGANIZATIONAL MATTERS	10 – 11	2
II.	REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999 (item 3)	12 – 13	2
III.	FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS (item 4)	14	3
IV.	UNUTILIZED BALANCES OF APPROPRIATIONS, 1992-1993 AND 1996-1997 (item 5)	15	3
V.	FINANCIAL REGULATIONS (item 6)	16	3
VI.	TRANSITION TO A SINGLE-CURRENCY SYSTEM (item 7)	17 – 18	3
VII.	MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005 (item 8)	19	4
VIII.	MOBILIZATION OF FINANCIAL RESOURCES (item 9)	20 – 21	4
IX.	DATE OF THE SEVENTEENTH SESSION (item 10)	22	5
X.	ADOPTION OF THE REPORT (item 11)	23	5
XI.	CLOSURE OF THE SESSION	24	5
Annex.	LIST OF DOCUMENTS SUBMITTED TO THE SIXTEENTH SESSION		6

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V.00-57209E

Distr.: 27 September 2000

Introduction

1. The Programme and Budget Committee held its sixteenth session at UNIDO Headquarters, Vienna International Centre, from 4 to 5 September 2000. All 27 members of the Committee participated in the session: Angola, Argentina, Austria, China, Côte d'Ivoire, Cuba, Democratic People's Republic of Korea, Ecuador, Egypt, France, Germany, Greece, Hungary, India, Italy, Japan, Mexico, Nigeria, Philippines, Russian Federation, Saudi Arabia, Slovakia, Sudan, Sweden, Tunisia, Turkey and United Kingdom of Great Britain and Northern Ireland.

2. The following 57 Members of UNIDO also attended the session: Afghanistan, Albania, Algeria, Belarus, Belgium, Bolivia, Bulgaria, Burkina Faso, Cape Verde, Chile, Colombia, Costa Rica, Croatia, Czech Republic, Denmark, Ethiopia, Finland, Georgia, Guatemala, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Jordan, Kazakhstan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Luxembourg, Malaysia, Malta, Morocco, Namibia, Netherlands, Nicaragua, Norway, Oman, Panama, Peru, Poland, Portugal, Republic of Korea, Slovenia, Spain, Sri Lanka, Switzerland, Syrian Arab Republic, Thailand, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela, Viet Nam, Yemen and Zimbabwe.

3. The following organizations were represented: United Nations Office at Vienna, European Commission and International Institute of Refrigeration (IIR).

4. Following an agreement reached between the members in List C and the members from the African States in List A, the Chairman of the sixteenth session of the Programme and Budget Committee, who was to be elected from List C, was elected from the African States in List A with the understanding that, for the seventeenth session, the Chairman should be elected from List C.

5. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation Mr. R. O. Mowoe (Nigeria) as Chairman; Mr. P. Palacios Cevallos (Ecuador), Mr. N. Abe (Japan), and Mr. A. Némethy (Slovakia) as Vice-Chairmen; and Mr. M. S. Srinivasan (India) as Rapporteur.

6. The agenda for the sixteenth session as adopted by the Committee is contained in document PBC.16/1. Following the adoption of the agenda, the Director-General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.

7. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

8. The report contains the conclusions reached by the Committee. The annex to the present report contains a list of documents submitted to the Committee at its current session.

9. The following conclusions of the Committee contain recommendations that call for action by the Board at its twenty-third session or are of relevance to the work of that session:

Conclusion	Subject
2000/2	Report of the External Auditor, financial performance report and programme performance report for the biennium 1998-1999
2000/3	Financial regulations
2000/4	Transition to a single-currency system
2000/5	Medium-term programme framework, 2002-2005
2000/6	Mobilization of financial resources

I. ORGANIZATIONAL MATTERS

10. On 4 September, the Committee considered a proposal by the Chairman to optimize the *utilization of available conference-servicing resources* and adopted the following conclusion:

Conclusion 2000/1

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its sixteenth session only, provided no substantive decisions were taken at those meetings.

11. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted Mr. N. Abe (Japan) (Vice-Chairman) to chair those consultations.

II. REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999 (item 3)

12. On 4 September, the Committee considered the report of the External Auditor on the accounts of the

United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1998-1999 ended 31 December 1999 (PBC.16/4 and Corr.1), the comments of the Director-General on the report of the External Auditor (PBC.16/8 and Corr.1), the financial performance report submitted by the Director-General for the biennium 1998-1999 (PBC.16/7), and the Annual Report of UNIDO 1999 (PBC.16/2 and Corr.1 and Add.1).

13. On 5 September, after consideration of a draft conclusion on *the Report of the External Auditor, financial performance report and programme performance report for the biennium 1998-1999* submitted by the Chairman, the Committee adopted the following conclusion:

Conclusion 2000/2

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note with satisfaction of the report of the External Auditor for the biennium 1998-1999 (IDB.23/3);

"(b) Also takes note of the comments of the Director-General (IDB.23/7);

"(c) Requests the Director-General to take all necessary measures to ensure recovery of the receivables owed to the Organization, including taking legal action against the debtors, as referred to in paragraph 45 of the report of the External Auditor;

"(d) Requests the Director-General to establish procedures for the systematic follow-up of receivables and to limit the administrative work connected with such follow-up;

"(e) Requests the Director-General to undertake an actuarial study to determine the financial impact of after-service health insurance and to report thereon to the Programme and Budget Committee at its next session;

"(f) Requests the Director-General to pay all due attention to the efficiency of Financial Services;

"(g) Requests the Director-General to report on the implementation of these measures to the twenty-fourth session of this Board."

III. FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS (item 4)

14. On 5 September, the Committee took note of the information provided by the Secretariat on the financial situation of UNIDO (PBC.16/CRP.2).

IV. UNUTILIZED BALANCES OF APPROPRIATIONS, 1992-1993 AND 1996-1997 (item 5)

15. On 5 September, at the suggestion of the Chairman, the Committee took note of the information provided by the Director-General on unutilized balances of appropriations, 1992-1993 and 1996-1997 (PBC.16/6; PBC.16/CRP.4).

V. FINANCIAL REGULATIONS (item 6)

16. On 4 September, the Committee considered the report of the Chairperson of the Intersessional working group on proposed amendments to the financial regulations (PBC.16/10) and, after consideration of a draft conclusion on *financial regulations* submitted by the Chairman, adopted on 5 September the following conclusion:

Conclusion 2000/3

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the interim report of the Chairperson of the Intersessional working group on proposed amendments to the financial regulations (PBC.16/10-IDB.23/8);

"(b) Encourages the Intersessional working group to continue its deliberations with a view to submitting proposed amendments to the financial regulations to the seventeenth session of the Programme and Budget Committee."

VI. TRANSITION TO A SINGLE-CURRENCY SYSTEM (item 7)

17. On 4 September, the Committee considered a report by the Director-General on conversion of the 2000-2001 programme and budgets into euros for comparison purposes (PBC.16/3) as well as a note by the Director-General on changes in the definition of major objects of expenditure (PBC.16/9).

18. On 5 September, after consideration of a draft conclusion on *transition to a single-currency system* submitted by the Chairman, the Committee adopted the following conclusion:

Conclusion 2000/4

The Programme and Budget Committee:

(a) Took note of the report by the Director-General on transition to a single-currency system (PBC.16/3);

(b) Also took note of the information provided by the Director-General on the changes in the definition of major objects of expenditure (PBC.16/9) and of the additional clarification provided by the Secretariat in the form of background information;

(c) Further took note that the 82 per cent Austrian schilling portion of the regular budget for 2000-2001 would be converted into euros by applying the fixed exchange rate of 1 euro = ATS 13.7603;

(d) Decided to convert the 18 per cent dollar portion of the 2000-2001 regular budget into euros by using the January to December 2000 average United Nations euro/dollar exchange rate for the purpose of ensuring a realistic comparison with the regular budgets of future periods;

(e) Authorized the Director-General to apply the same conversion methodology on the approved estimates of net expenditures for the operational budget, 2000-2001, and for comparison purposes with the budgets of future periods;

(f) Requested the Director-General to calculate any regular budget growth in his forthcoming proposals for the programme and budgets, 2002-2003, based on the total net requirements of the regular budget, 2000-2001, as determined in paragraph (d) above;

(g) Also requested the Director-General to continue consultations with Member States on the definition of major objects of expenditure and to present the issue to the forthcoming session of the Industrial Development Board.

VII. MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005 (item 8)

19. On 4 September, the Committee considered the proposals of the Director-General concerning the medium-term programme framework, 2002-2 (PBC.16/5) and a note by the Director-General strengthening UNIDO decentralization (PBC.16/CR and, after consideration of a draft conclusion on *medium-term programme framework, 2002-2* submitted by the Chairman, on 5 September adopte amended, the following conclusion:

Conclusion 2000/5

The Programme and Budget Committee

(a) Invited the Director-General to duct consultations with Member States to ide a course of action to bring about effe decentralization, and to report to the Board a twenty-third session on those consultations;

(b) Recommended to the Indus Development Board the adoption of the follow draft decision:

"The Industrial Development Board:

"(i) Recalls General Conference dec GC.6/Dec.20;

"(ii) Recommends that the Ge Conference take note of the approach outlined the medium-term programme framework ta into account the general orientation contain document IDB.23/4-PBC.16/5 and the comm made by Member States during the sixte session of the Programme and Budget Comm and the twenty-third session of the Indus Development Board."

VIII. MOBILIZATION OF FINANCIAL RESOURCES (item 9)

20. On 4 September, the Committee considere report by the Director-General on the mobilizatio financial resources (PBC.16/6), information on nature of projects financed from the Indus Development Fund and information on the nature projects financed from third party and self-finan trust funds, contained in the Annual Report of UNI 1999 (PBC.16/2, appendices B and C), and lists projects approved under the Industrial Developm Fund in 1999 (PBC.16/CRP.1) and a note by Director-General on unutilized balances of appro tions, 1992-1993 and 1996-1997 (PBC.16/CRP.4).

21. On 5 September, after consideration of a d conclusion on *mobilization of financial resour* submitted by the Chairman, the Committee adopted following conclusion:

Conclusion 2000/6

The Programme and Budget Committee:

(a) Invited the Director-General to conduct consultations with Member States before scaling down the integrated programmes and submit the results for further discussion to the forthcoming session of the Board;

(b) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Takes note of the information contained in document IDB.23/5-PBC.16/6;

"(ii) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 2001 and 2002 in accordance with the information contained in chapter I of that document;

"(iii) Encourages Member States and other donors to increase their voluntary contributions to UNIDO and specifically to the Industrial Development Fund;

"(iv) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to implement the integrated programmes in a coordinated manner and achieve the synergy and increased impact envisaged in the integrated programme concept;

"(v) Further encourages all Member States to facilitate access to funds available from bilateral sources to finance the implementation of components of integrated programmes matching the bilateral cooperation priorities;

"(vi) Encourages Governments of recipient countries to play a more active role in sharing with UNIDO the responsibility to mobilize funds for jointly-developed integrated programmes and other high-priority activities from sources available to them."

IX. DATE OF THE SEVENTEENTH SESSION (item 10)

22. On 5 September, the Committee adopted the following conclusion:

Conclusion 2000/7

The Programme and Budget Committee decided to hold its seventeenth session from 2 to 4 May 2001.

X. ADOPTION OF THE REPORT (item 11)

23. On 5 September, the Committee adopted the draft report of its sixteenth session (PBC.16/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

XI. CLOSURE OF THE SESSION

24. The Committee closed its sixteenth session at 12.20 p.m. on 5 September 2000.

Annex

LIST OF DOCUMENTS SUBMITTED TO THE SIXTEENTH SESSION

Symbol	*Agenda item*	*Title*
PBC.16/1	2	Provisional agenda
PBC.16/1/Add.1	2	Annotated provisional agenda
PBC.16/2-IDB.22/2 and Corr.1	3	Annual Report of UNIDO 1999
PBC.16/2/Add.1-IDB.22/2/Add.1	3	Annual Report of UNIDO 1999. Programme performance report. List of technical cooperation activities
PBC.16/3	7	Transition to a single-currency system. Conversion of the 2000-2001 programme and budgets into euros for comparison purposes. Report by the Director-General
PBC.16/4-IDB.23/3 and Corr.1	3	Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1998-1999 ended 31 December 1999
PBC.16/5-IDB.23/4	8	Medium-term programme framework, 2002-2005. Proposals of the Director-General
PBC.16/6-IDB.23/5	9, 5	Mobilization of financial resources. Unutilized balances of appropriations, 1992-1993 and 1996-1997. Report by the Director-General
PBC.16/7-IDB.23/6	3	Financial performance report for the biennium 1998-1999. Submitted by the Director-General
PBC.16/8-IDB.23/7 and Corr.1	3	Comments of the Director-General on the report of the External Auditor
PBC.16/9	7	Transition to a single-currency system. Changes in the definition of major objects of expenditure. Note by the Director-General
PBC.16/10-IDB.23/8	6	Financial regulations. Intersessional working group on proposed amendments to the financial regulations. Report of the Chairperson, H.E. Mrs. I. Freudenschuss-Reichl, Austria
		* * * * *
PBC.16/CRP.1	9	Mobilization of financial resources. Lists of projects approved under the Industrial Development Fund in 1999. Prepared by the Secretariat
PBC.16/CRP.2	4	Financial situation of UNIDO, including arrears. Note by the Secretariat
PBC.16/CRP.3	2	List of documents
PBC.16/CRP.4	9, 5	Mobilization of financial resources. Unutilized balances of appropriations, 1992-1993 and 1996-1997. Note by the Director-General
PBC.16/CRP.5	8	Medium-term programme framework, 2002-2005. Strengthening UNIDO decentralization. Note by the Director-General
PBC.16/CRP.6	-	List of participants